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February 7, 2011

Employer Code: 1097
Job Number: P09-056

Montezuma Fire Protection District
Edward Martel, Fire Chief
2405 South B Street
Stockton, CA 95206

Dear Chief Martel:

Enclosed is our final report on the results of the public agency review completed for the Montezuma Fire Protection District. The Montezuma Fire Protection District's written response indicates agreement with the issues noted in the report. The written response is included as an appendix to the report. As part of our resolution process, we have referred the issues identified in the report to the appropriate divisions at CalPERS. Please work with these divisions to address the recommendations specified in our report. It was our pleasure to work with your district and we appreciate the time and assistance of you and your staff during this review.

Sincerely,

Original Signed by Margaret Junker
MARGARET JUNKER, CIA, CPA
Chief, Office of Audit Services

Enclosure

cc: Finance Committee Members, CalPERS
Peter Mixon, General Counsel, CalPERS
Lori McGartland, Chief, ERSD, CalPERS
Mary Lynn Fisher, Chief, BNSD, CalPERS
Honorable Board Members, Montezuma Fire Protection District

Montezuma Fire Protection District



Public Agency Review



Office of Audit Services

Employer Code: 1097
Job Number: P09-056

February 2011

MONTEZUMA FIRE PROTECTION DISTRICT

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MONTEZUMA FIRE PROTECTION DISTRICT

RESULTS IN BRIEF

We reviewed the Montezuma Fire Protection District's (District) enrolled individuals, retirement contributions, compensation and required retirement and Automated Communications Exchange System (ACES) documentation for employees included in our test sample. A detail of the exceptions is noted in the Risk and Mitigation Table. Specifically, the following exceptions were noted during the review:

- Uniform allowance was not reported.
- Holiday pay was not reported.
- An employee's payrate was not listed in a publicly available document.
- Incorrect payrate and earnings were reported.
- An employee's reported base payrate and earnings included special compensation.
- Employer Paid Member Contributions (EPMC) varied for two employees.
- Employees were not enrolled into membership timely.

BACKGROUND

The California Public Employees' Retirement System (CalPERS) provides a variety of programs serving members employed by more than 2,500 local public agencies as well as state agencies and state universities. The agencies contract with CalPERS for retirement benefits, with CalPERS providing actuarial services necessary for the agencies to fund their benefit structure. In addition, CalPERS provides services which facilitate the retirement process.

CalPERS Employer Services Division (ERSD) manages contract coverage for public agencies and receives, processes, and posts payroll information. CalPERS Benefit Services Division (BNSD) provides services for eligible members who apply for service or disability retirement. BNSD sets up retirees' accounts, processes applications, calculates retirement allowances, prepares monthly retirement benefit payment rolls, and makes adjustments to retirement benefits.

Retirement allowances are computed using three factors: years of service, age at retirement and final compensation. Final compensation is defined as the highest average annual compensation earnable by a member during the last one or three consecutive years of employment, unless the member elects a different period with a higher average. State and school members use the one-year period. Local public agency members' final compensation period is three years unless the agency contracts with CalPERS for a one-year period.

MONTEZUMA FIRE PROTECTION DISTRICT

The employers' knowledge of the laws relating to membership and payroll reporting facilitates the employer in providing CalPERS with appropriate employee information. Appropriately enrolling eligible employees and correctly reporting payroll information is necessary to accurately compute a member's retirement allowance.

The District was established in 1958 for the purpose of offering fire protection to the residents and landowners. The District serves approximately 9.6 square miles of the unincorporated areas of Southeast Stockton and the Stockton Metropolitan Airport. The District operates under the Fire Protection District Law of 1987, Health and Safety Code (Sections 13801-13999). An employment agreement and employee contract outlines District employees' salaries and benefits and state the terms of employment agreed upon between the District and its employees.

The District contracted with CalPERS effective June 20, 1976, to provide retirement benefits for local safety fire employees. The District's current contract amendment identifies the length of the final compensation period as three years for the fire safety coverage group.

SCOPE

As part of the Board approved plan for fiscal year 2009/2010, we reviewed the District's payroll reporting and enrollment processes as these processes relate to the District's retirement contract with CalPERS. The objective of this review was limited to the determination that the District complied with applicable sections of the California Government Code (Sections 20000 et seq.) and Title 2 of the California Code of Regulations and that prescribed reporting and enrollment procedures were followed. The on-site fieldwork for this review was conducted on April 6, 2010 through April 8, 2010 and April 13, 2010.

The review period was limited to the examination of sampled records and processes from July 1, 2006 through December 31, 2009. To accomplish the review objectives, we performed the following:

- ✓ Reviewed the contract and subsequent amendments the District had with CalPERS, correspondence files maintained at CalPERS, and employment agreements the District had with its employees.
- ✓ Interviewed key staff members to obtain an understanding of the District's personnel and payroll procedures.

MONTEZUMA FIRE PROTECTION DISTRICT

- ✓ Reviewed the payroll transactions and compared the District's payroll register with the data reported to CalPERS to determine whether the District correctly reported employees' earnable compensation.
- ✓ Reviewed the District's payroll information reported to CalPERS to determine whether employees' payrates were reported pursuant to public salary information.
- ✓ Reviewed the District's process for reporting payroll to CalPERS to determine whether the payroll reporting elements were reported correctly.
- ✓ Reviewed reported payroll to determine whether the payment of contributions and the filing of payroll reports were submitted within the required timeframes.
- ✓ Reviewed the District's enrollment practices pertaining to temporary/part-time employees, retired annuitants, and independent contractors to determine whether the individuals met CalPERS membership requirements.
- ✓ Reviewed the District's classification of employees to determine whether the District reported employees in the appropriate coverage groups.
- ✓ Reviewed the District's process for industrial disability retirement determinations and appeals for local safety members.
- ✓ Reviewed the District's calculation and reporting of unused sick leave balances for retiring employees.

MONTEZUMA FIRE PROTECTION DISTRICT

RISK AND MITIGATION TABLE

In developing our opinions, we considered the following risks and mitigations. We also include our observations and recommendations.

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
1. The District may not accurately report compensation to CalPERS.	<p>We reviewed payroll records and compensation reported to CalPERS for a sample of four employees over two service periods. The service periods reviewed were the first service period of June 2009 (6/09-3) and the second service period of December 2009 (12/09-4). The District correctly reported compensation except in two instances:</p> <p><u>Uniform Allowance Not Reported to CalPERS</u></p> <p>The District firefighters' agreement and fire captain's contract stated firefighters and the Administrative Captain would receive a clothing allowance to purchase the approved uniforms employees were required to wear. The District paid firefighters \$330.75 and the Administrative Captain \$500 annually to purchase new uniforms. However, the District did not report the uniform allowance to CalPERS as special compensation.</p> <p>Government Code, § 20636(c)(6), states, in part, "A uniform allowance, the monetary value of employer-provided uniforms...shall be included as special compensation."</p>	<p>The District should report the uniform allowance provided to fire employees as special compensation.</p> <p>In addition, the District should work with CalPERS ERSD to assess the impact of this non-reporting and to determine what adjustments, if any, are needed.</p> <p>A confidential list identifying the individuals mentioned in this</p>

MONTEZUMA FIRE PROTECTION DISTRICT

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>1. The District may not accurately report compensation to CalPERS. (continued)</p>	<p>California Code of Regulations, § 571(a)(5), defines uniform allowance as, "Compensation paid or the monetary value for the purchase, rental and/or maintenance of required clothing...which is a ready substitute for personal attire the employee would otherwise have to acquire and maintain. This excludes items that are solely for personal health and safety such as protective vests, pistols, bullets, and safety shoes."</p> <p><u>Holiday Pay Not Reported to CalPERS</u></p> <p>The District firefighters were paid for 120 hours at their regular rate in lieu of receiving holiday pay at the time that a holiday occurred. The firefighters were required to work on holidays and did not have the option of taking time off. Holiday pay was paid annually to firefighters in a lump sum on the first pay period in December. Specifically, in service period 12/08-3, the District paid one sampled firefighter \$1,405.20 and a second sampled firefighter \$1,562.40 in holiday pay. However, the District did not report holiday pay to CalPERS as special compensation.</p> <p>California Code of Regulations, § 571(a)(5), defines holiday pay as, "Additional compensation for employees who are normally required to work on an approved holiday</p>	<p>section of the report has been sent to the District and CalPERS ERSD as an appendix to our draft report.</p> <p>The District should begin reporting holiday pay to CalPERS as special compensation.</p> <p>In addition, the District should work with CalPERS ERSD to assess the impact of this non-reporting and to determine what adjustments, if any, are needed.</p> <p>A confidential list identifying the individuals mentioned in this section of the report has been</p>

MONTEZUMA FIRE PROTECTION DISTRICT

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>1. The District may not accurately report compensation to CalPERS. (continued)</p>	<p>because they work in positions that require scheduled staffing without regard to holidays."</p>	<p>sent to the District and CalPERS ERSD as an appendix to our draft report.</p>
<p>2. The District may not report payrates in accordance with publicly available salary schedules.</p>	<p>We reviewed payrates reported to CalPERS in service period 12/09-4 and reconciled the payrates to the District's public salary information to determine whether payrates for the sampled employees were properly authorized and reported to CalPERS. All sampled payrates were reported in accordance with publicly available salary information, except for the following instance.</p> <p>One sampled employee's payrate was not contained in publicly available salary information. The employee's specific payrate was not authorized on a salary schedule, employment agreement, MOU, or approved and adopted by the District's governing body in accordance with applicable public meeting laws. The employee's payrate was indicated on the District's Employee Performance and Development (EPAD) evaluation report; however, document did not contain an authorized signature other than the employee's signature.</p> <p>Government Code, § 20636(b)(1), states, "Payrate means the normal monthly rate of pay or base pay of the member</p>	<p>The District should ensure that all payrates are properly authorized and included in publicly available salary schedules.</p> <p>The District should work with CalPERS ERSD to assess the impact of this issue and determine what adjustments, if any, are needed.</p> <p>A confidential list identifying the individual mentioned in this section of the report has been sent to the District and CalPERS ERSD as an appendix to our draft report.</p>

MONTEZUMA FIRE PROTECTION DISTRICT

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>2. The District may not report payrates in accordance with publicly available salary schedules. (continued)</p>	<p>paid in cash to similarly situated members of the same group or class of employment for services rendered on a full-time basis during normal working hours, pursuant to publicly available pay schedules.”</p> <p>Government Code, § 20636(d), states, “Notwithstanding any other provision of law, payrate and special compensation schedules, ordinances, or similar documents shall be public records available for public scrutiny.”</p>	
<p>3. The District may not accurately report payroll information to CalPERS.</p>	<p>We reviewed the payroll information reported to CalPERS for the sampled service periods. Our sample testing revealed that the District correctly reported payroll information to CalPERS except for the following instances:</p> <p><u>Incorrect Payrate and Earnings Reported</u></p> <p>We reconciled the sampled employees’ authorized payrates to the CalPERS payroll listing report for service period 12/09-4. In addition, we reconciled sampled employees’ regular earnings from the District’s payroll register to the reported earnings on the payroll prelist for service periods 6/09-3 and 12/09-4. We noted that the District reported an incorrect payrate and/or earnings for three sampled employees. Specifically:</p>	<p>The District should ensure that employee base payrates and earnings are accurately reported to CalPERS.</p> <p>In addition, the District should work with CalPERS ERSD to assess the impact of this incorrect reporting and to</p>

MONTEZUMA FIRE PROTECTION DISTRICT

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>3. The District may not accurately report payroll information to CalPERS. (continued)</p>	<ul style="list-style-type: none"> • The District under reported earnings of \$1,849.70 in service periods 6/09-3 and 12/09-4 for one employee when \$1,886.80 and \$1,924.96, respectively, should have been reported. Also, in service period 12/09-4, the District reported a payrate of \$4,007.68 when the correct payrate of \$4,170.75 should have been reported. • The District under reported earnings of \$1,353.62 when the correct payrate of \$1,380.12 should have been reported for a second employee in service periods 6/09-3 and 12/09-4. • The District under reported earnings of \$1,217.94 when the correct payrate of \$1,241.26 should have been reported for a third employee in service period 6/09-3. <p>Government Code, § 20630(a), states, in part, "Compensation means the remuneration paid out of funds controlled by the employer in payment for the member's services performed during normal working hours"</p> <p>Government Code, § 20636, states, in part, "(a) 'Compensation earnable' by a member means the payrate and special compensation of the member (b)(1) 'Payrate' means the normal monthly rate of pay or base pay of the member paid in cash to similarly situated members of the same group or class of employment for</p>	<p>determine what adjustments, if any, are needed.</p> <p>A confidential list identifying the individuals mentioned in this section of the report has been sent to the District and CalPERS ERSD as an appendix to our draft report.</p>

MONTEZUMA FIRE PROTECTION DISTRICT

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>3. The District may not accurately report payroll information to CalPERS. (continued)</p>	<p>services rendered on a full-time basis during normal working hours, pursuant to publicly available pay schedules. (d) Notwithstanding any other provision of law, payrate and special compensation schedules, ordinances, or similar documents shall be public records available for public scrutiny.”</p> <p><u>Special Compensation Included in Reported Base Payrate/Earnings</u></p> <p>We reconciled four sampled employees’ authorized payrates to payroll information reported to CalPERS and determined that an item of special compensation was included in base payrate and regular earnings for one sampled employee.</p> <p>Specifically, the employee's EPAD report dated October 1, 2007, indicated that 2.5 percent educational pay for completing Aircraft Rescue and Firefighting classes was added to the employee's payrate. The educational incentive pay was reported to CalPERS in the employee’s base payrate and regular earnings from service period 10/07-3 onward. The District should have reported the educational incentive pay as special compensation, separate from base pay and earnings. As a result of the including educational incentive pay in base</p>	<p>The District should immediately begin reporting items of special compensation separately from base payrate and regular earnings.</p> <p>The District should work with CalPERS ERSD to assess the impact of this incorrect reporting and determine what adjustments, if any, are needed.</p> <p>A confidential list identifying the individual mentioned in this section of the report has been sent to the District and CalPERS</p>

MONTEZUMA FIRE PROTECTION DISTRICT

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>3. The District may not accurately report payroll information to CalPERS. (continued)</p>	<p>pay, the 2.5 percent increase was compounded in subsequent pay increase calculations.</p> <p>Government Code, § 20636, states, in part, “Compensation earnable by a member means the payrate and special compensation of the member.... (b)(1) Payrate means the normal monthly rate of pay or base pay of the member paid in cash to similarly situated members of the same group or class of employment for services rendered on a full-time basis during normal working hours, pursuant to publicly available pay schedules. (c)(1) Special compensation of a member includes a payment received for special skills, knowledge, abilities, work assignment, workdays or hours, or other work conditions. (d) Payrate and special compensation schedules, ordinances, or similar documents shall be public records available for public scrutiny.”</p> <p><u>Employer Paid Member Contributions (EPMC)</u></p> <p>We reviewed sampled employees’ labor agreements and the payroll register for service period 12/09-3 to determine what portion of the member contribution the District paid. We determined the District paid different rates for two employees. Specifically,</p> <ul style="list-style-type: none"> • One local safety management employee’s contract 	<p>ERSD as an appendix to our draft report.</p> <p>The District should submit a resolution for EPMC for each group or class of employees and the payment of EPMC must be the same for each member in the group or class of employment.</p>

MONTEZUMA FIRE PROTECTION DISTRICT

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>3. The District may not accurately report payroll information to CalPERS. (continued)</p>	<p>stated the District paid 4.5 percent of the 9 percent member contribution. No other employees received the same benefit.</p> <ul style="list-style-type: none"> The District paid the entire 9 percent for a second local safety management employee, who did not have an employment agreement, contract, or MOU outlining the details of benefits. No other employees received the same benefit. <p>Government Code, § 20691, states, "Notwithstanding any other provision of law, a contracting agency or school employer may pay all or a portion of the normal contributions required to be paid by a member. Where the member is included in a group or class of employment, the payment shall be for all members in the group or class of employment. If an individual is not part of a group or class, the payment shall be limited to the amount that the board determines is payable to similarly situated members in the closest related group or class...."</p> <p>California Code of Regulations, § 571(a)(1), states, "Employer Paid Member Contribution (EPMC) is the full monetary value of employer-paid member contributions paid to CalPERS and reported as an item of special compensation on behalf of all members in a group or class. The value of EPMC is calculated on all</p>	<p>The District should work with CalPERS ERSD to assess the impact of this incorrect reporting and determine what adjustments, if any, are needed.</p> <p>A confidential list identifying the employees mentioned in this section of the report has been sent to the District and CalPERS ERSD as an appendix to our draft report.</p>

MONTEZUMA FIRE PROTECTION DISTRICT

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
3. The District may not accurately report payroll information to CalPERS. (continued)	<p>'compensation earnable' excluding the special compensation of the monetary value of EPMC paid to CalPERS by the employer under Government code Section 20636(c)(4) thus eliminating a perpetual calculation. A Resolution or ordinance of the governing body must be provided to CalPERS indicating the group or class, effective date, and the percent or amount of EPMC being paid and reported as an item of special compensation."</p> <p>Government Code, § 20636(e)(1), states, "As used in this part, 'group or class of employment' means a number of employees considered together because they share similarities in job duties, work location, collective bargaining unit, or other logical work-related grouping. One employee may not be considered a group or class."</p>	
4. The District may fail to or did not submit payroll in a timely manner to CalPERS.	We reviewed the payroll information for service periods 6/09-3 and 12/09-4 and found that payroll information and contributions were submitted to CalPERS within required timeframes.	None.
5. The District may not enroll all eligible employees into CalPERS membership.	<p><u>Excluded Employees</u></p> <p>The contract between CalPERS and the District excluded local police and miscellaneous employees from CalPERS</p>	None.

MONTEZUMA FIRE PROTECTION DISTRICT

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>5. The District may not enroll all eligible employees into CalPERS membership. (continued)</p>	<p>membership. The District appropriately did not enroll police officers or miscellaneous employees into CalPERS membership.</p> <p><u>Temporary/Part-time Employees</u></p> <p>Hours worked in fiscal years 2006/2007 and 2007/2008 were reviewed for a sample of five temporary/part-time employees to determine whether the individuals met CalPERS membership eligibility requirements.</p> <p>The five sampled part-time employees met CalPERS membership eligibility by working 1,000 hours or more in a fiscal year and were not enrolled into membership. Specifically,</p> <ul style="list-style-type: none"> • One employee worked a total of 1,072 hours in fiscal year 2007/2008 and reached 1,000 hours worked as of May 2007. • A second employee worked a total of 2,361.5 hours in fiscal year 2006/2007 and reached 1,000 hours worked as of October 2006. • A third employee worked a total of 1,309 hours in fiscal year 2006/2007 and reached 1,000 hours worked as of April 2007. • A fourth employee worked a total of 2,631 hours in 	<p>The District should ensure that all employees are enrolled timely when membership eligibility requirements are met.</p> <p>The District should work with CalPERS ERSD to assess the impact of this enrollment issue and determine what adjustments, if any, are needed.</p> <p>A confidential list identifying the employees mentioned in this section of the report has been sent to the District and CalPERS ERSD as an appendix to our draft report.</p>

MONTEZUMA FIRE PROTECTION DISTRICT

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>5. The District may not enroll all eligible employees into CalPERS membership. (continued)</p>	<p>fiscal year 2006/2007 and reached 1,000 hours worked as of October 2006.</p> <ul style="list-style-type: none"> • A fifth employee worked a total of 1,755.5 hours in fiscal year 2006/2007 and reached 1,000 hours worked as of January 2007. <p>Additionally, we reviewed records for ten temporary/part-time employees to verify CalPERS enrollment status. One employee, who had prior membership, was not enrolled timely. This employee became a CalPERS member through District employment on February 1, 1997, separating that employment June 30, 1999. Over the next twelve years the employee worked for the District and various other CalPERS covered agencies, earning close to full-time service credit. The District re-hired the employee July 1, 2009. At the time of rehire, the employee was working on a full-time basis with another CalPERS covered agency, which the employee separated from seven days later, on July 7, 2009. Therefore, the District should have enrolled the employee subsequent to July 7, 2009, and reported earnings to CalPERS.</p> <p>Government Code, § 20305(a), states, in part, "An employee whose appointment or employment contract does not fix a term of full-time, continuous employment in excess of six months is excluded from this system unless:</p>	

MONTEZUMA FIRE PROTECTION DISTRICT

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
5. The District may not enroll all eligible employees into CalPERS membership. (continued)	(1) He or she is a member at the time he or she renders that service.... B) The person... completes 1,000 hours within the fiscal year, in which case, membership shall be effective not later than the first day of the first pay period of the month following the month in which...1,000 hours of service were completed.” <u>Independent Contractor</u> We noted no instances in which the District employed independent contractors during the review period.	None.
6. The District may unlawfully employ retired annuitants.	The District did not employ retired annuitants during the review period. Therefore, no further testing was needed.	None.
7. The District may not appropriately report members under the proper coverage group code.	Our sample testing revealed that the District reported members under the appropriate coverage group code.	None.

MONTEZUMA FIRE PROTECTION DISTRICT

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
8. The District may not appropriately process industrial disability retirement determinations and appeals for safety members.	We reviewed the District's procedures for processing applications for industrial disability retirement. The District did not file any industrial disability retirement applications during the review period. However, the District was aware that appeals procedures must be in place.	None.
9. The District may not accurately report unused sick leave balances for retiring CalPERS members.	Effective July 1, 2005, the contractual provision of Government Code Section 20965, credit for unused sick leave, became a mandated benefit for the District. The District had no retiring CalPERS members during the review period. However, the District confirmed that a divisor of eight would be used to convert unused sick leave days to CalPERS.	None.

MONTEZUMA FIRE PROTECTION DISTRICT

CONCLUSION

We limited this review to the areas specified in the scope section of this report. We limited our test of transactions to samples of the District's payroll reports and personnel records. The sample testing procedures provide reasonable, but not absolute, assurance that these transactions complied with the California Government Code, except as noted above.

Respectfully submitted,

Original Signed by Margaret Junker

Margaret Junker, CPA, CIA, CIDA
Chief, Office of Audit Services

Date: February 2011

Staff: Michael Dutil, CIA, Senior Manager
Jacque Conway, CPA, CIA, CGFM, Manager
Adeeb Alzanoon
Kelly Dotters Rodriguez

APPENDIX

DISTRICT'S WRITTEN RESPONSE

Montezuma Fire District

In San Joaquin County
Station 18-1, 2405 S. "B" St., Stockton, CA 95206
Station 18-2, Stockton Metro Airport



Administration
Business Phone:
(209) 464-5234
Fax (209) 466-2624

**Board of
Directors:**

Linda A. Todd
Chair Person

Sue Heaton
Director

Jeff Hachman
Director

Edward Martel
*Fire Chief
& Clerk to the Board*

To: CalPERS Office of Audit Service
P.O. Box 942701
Sac., Ca. 94229-2701
Att: Margret Junker, CPA,CIA,CIDA

January 19, 2011

From: Montezuma Fire District Administration

Re: Public Agency Review, Employer Code:1097, Job Number: P09-056.

Dear Mrs. Junker

The Montezuma Fire Protection District is in receipt of your draft copy of the district's Public review. The district understands the report covers compliance review in relation to the fire district which contract retirement service with your agency California Employees' Retirement System (CalPERS) .

The Montezuma Fire protection District would like to submit the following comments for your review to be considered and acknowledge. Which are;

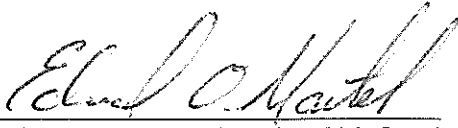
- 1.) As the employer the district did not have all the knowledge of the laws relating to membership and payroll. The districts Board of Directors have scheduled a meeting with Mrs. Liz Lot of CalPERS membership and payroll so that we (the district) have a full understanding of the laws that pertains to the district as the employer.
- 2.) The district has in good faith made it's payments of contributions and filling of payroll reports were submitted within the required timeframes.
- 3.) Uniform Allowance not reported to CalPERS: The District did not have knowledge that Uniform Allowance is reportable. The District will abide by the recommendation stated by CalPERS and report uniform allowance as special compensation effective immediately.
- 4.) Holiday Pay not reported to CalPERS: The District did not have knowledge that Holiday Pay is reportable. The District will abide by the recommendation stated by CalPERS and report holiday pay as special compensation effective immediately.

- 5.) Pay Rates for Public Employee: The District did not have knowledge that the one (1) specific employee pay rate was not available on a MOU, Contract or other type of public document. However, this employee's pay rate was made public at least one public meeting which was a Board of Directors Monthly Meeting, where a salary adjustment was given and did reflect the Board Meetings Minutes. The District will abide by the recommendation stated by CalPERS and ensure that pay rates are properly authorized and included in publicly available salary schedules.
- 6.) Incorrect Pay rate and Earnings Reported: The District did not have knowledge that payroll register were incorrect for those specific service periods. The District already has corrected all or most of these service periods. The District will abide by the recommendation stated by CalPERS and ensure that employee's base pay rates and earnings are accurately reported to CalPERS.
- 7.) Special Compensation Included in Reported Base Pay rate/ Earnings: The District did not have knowledge that educational incentive pay was to be reported as special compensation. The District will abide by the recommendation stated by CalPERS and ensure that special compensation be separated from base pay rate and regular earnings.
- 8.) Employers Paid Member Contributions EPMC: The District did not have knowledge that a resolution was needed to identify groups or class of employees that had paid their entire portion of their contribution or partial employee contribution or all of their employee contribution. The District was not aware of having a minimum of two (2) employees per employee group or class. The District will abide by CalPERS recommendations and adopt a resolution for EPMC and work with CalPERS ERSD to assess the impact of this incorrect reporting if any.
- 9.) Temporary/Part Time Employees: The District has no such employees. However, based on your report your belief is based on the amount of hours an employee works automatically classified him/her to such classification. The District does however utilize Reserve Fire Fighters for Emergency purpose and at times to fill in for an employee for a short period of time. The District did not have knowledge that Reserve Fire Fighters who may have worked over one thousand hours (1,000) in a calendar or fiscal year shall be reported to CalPERS as members.

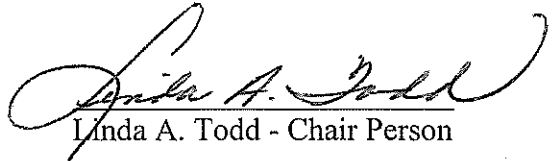
- 9.) Temporary/Part Time Employee Continue...; The District also did not have knowledge that a past CalPERS member who did not separate from CalPERS and work one (1) hour or more shall be reported to CalPERS as members. The District has a major concern with this specific government code because it may create a financial hardship to the District. The District once made aware of such code has taken immediate action so Reserve Fire Fighters do not work the amount set forth by CalPERS. The District in good faith has taken measures to address this finding. The District acknowledge that there were six (6) employees that meet such criteria, Two (2) were hired and made CalPERS members, Two (2) separated from the District, and two (2) remain as Reserve Fire Fighters, but do not exceed 1,000 hour per year. The District will abide by CalPERS recommendation and enroll eligible employees in a timely matter, and the District will work with CalPERS ERSD to assess the impact of this enrollment issue and determine what adjustments, if any, are needed. The District also has scheduled a meeting with Mrs. Liz Lot from membership to help address this issue.

In conclusion; The Montezuma Fire Protection District would like to thank you for the opportunity to submit are concerns, and the assistants would have received from Mrs. Kelly Dotters-Rodriguez field auditor. The District has every intention to address and correct such above listed issues as soon as possible. The District however in the future would like to see that audits get address in a more timely matters, perhaps ever twelve (12) to twenty-four (24) month not at random. The District believe this would keep the administration abreast of codes and procedures more effectively, and have more better knowledge of such.

Respectfully,



Edward O. Martel – Fire Chief and
Clerk to the Board of Directors



Linda A. Todd - Chair Person

C; MFD Board of Directors

Mrs. Kelly Dotters-Rodriguez – Field Auditor for CalPERS

Charles E. Strand – District's CPA